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SUBJECT: PRESIDENT COLOM SIGNS PETROCARIBE DEAL WITH  
VENEZUELA

REF: GUATEMALA 867

¶1. On July 13, President Colom signed a PetroCaribe deal (reftel) with Venezuela during the 5th Extraordinary Summit of PetroCaribe member states in Maracaibo, Venezuela to help alleviate Guatemala's increasing fuel and food prices. Under the terms of the deal, which requires congressional approval, Venezuela has agreed to provide Guatemala 20,000 barrels of diesel per day.

¶2. Carlos Meany, Guatemalan Minister of Energy and Mines, told Guatemalan reporters that the deal is strictly commercial and does not have any political significance. Foreign Minister Haroldo Rodas asserted that the agreement with Venezuela will not affect Guatemala's relations with other countries and clarified that it does not signify that Guatemala is part of Chavez' "Bolivarian Alternative" in opposition to free trade.

¶3. President Colom affirmed that the government will invest the cash flow made available to the government from the deal -- an estimated Q400 million (USD 53 million) per month -- in social development, job creation, and poverty reduction to provide poor, rural communities with access to basic services. Among the projects to be financed are installation of a railroad between Mexico and El Salvador, implementation of Social Cohesion programs led by the First Lady, improvement of Guatemala's urban transport system and infrastructure, energy development, and construction of a highway which will reportedly benefit more than 1,600 communities.

Derham